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September 6, 2006

VIA ELECTRONIC-FILING

Charles L.A. Terreni
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: **Docket No. 2006-259-E: Application of Progress Energy Carolinas, Inc. for Approval of an Executory Transfer and Sale of Certain Utility Property**

Dear Mr. Terreni,

This is to inform the Public Service Commission ("Commission") that the Office of Regulatory Staff (ORS) has reviewed the above referenced filing. Based on the information provided, ORS does not have an objection to Progress Energy Carolinas, Inc. ("Progress Energy Carolinas") request for approval of the executory transfer and sale of certain utility property located in Progress Energy Carolinas' electric service territory as described in this filing.

ORS understands that Progress Energy Carolinas has entered into a Spare Transformer Sharing Agreement ("Sharing Agreement") as part of a national collaborative effort to share spare electrical transformers with other electrical utilities in the event of a declaration by the federal government of a national emergency as a result of a "coordinated deliberate destruction of [a] utility substation." The Application states that by entering into this Sharing Agreement, Progress Energy Carolinas will: (a) support the national effort to protect our electrical infrastructure; (b) provide Progress Energy Carolinas and the citizens of South Carolina with a higher level of preparedness in the event of an attack on Progress Energy Carolinas' electrical system; and (c) lower overall future costs to Progress Energy Carolinas and the South Carolina ratepayers. ORS recognizes this request to be reasonable and will serve the interests of Progress Energy Carolinas' South Carolina retail customers, as well as South Carolina in general, and the nation as a whole.

Thank you for the opportunity to provide our comments in this matter.

Sincerely,


John W. Flitter
Director, Electric and Gas Regulation

JWF/sh

cc: Dan F. Arnett, Chief of Staff, SC ORS
Nanette S. Edwards, Deputy General Counsel, SC ORS
Dr. James Spearman, Executive Assistant, SC PSC
Len S. Anthony, Deputy General Counsel-Regulatory Affairs, Progress Energy
Kendal C. Bowman, Associate General Counsel, Progress Energy